COMMERCE DEPARTMENT

November 10, 2021

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-21-755

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition by CenterPoint Energy for Approval of a Rate Stabilization Plan

The Petition was filed on November 1, 2021 by:

Amber Lee
Director Regulatory Affairs
CenterPoint Energy Minnesota Gas
505 Nicollet Mall
Minneapolis, MN 55402

The Department recommends that the Minnesota Public Utilities Commission (Commission) **deny** CenterPoint's Petition and is available to answer any questions the Commission may have.

Sincerely,

/s/ Craig Addonizio
Financial Analyst

/s/ Dorothy Morrissey
Financial Analyst

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G008/M-21-755

I. INTRODUCTION

On November 1, 2021, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint, CPEM, or the Company) filed a general rate case with the Minnesota Public Utilities Commission (Commission) to increase rates for natural gas utility service in Docket No. G008/GR-21-435 (the 2021 Rate Case). In its 2021 Rate Case, CPEM is seeking an increase in base revenue of $67.1 million per year (or 6.5 percent), as well as an interim rate increase of $51.8 million (5.1 percent).[1]

Concurrent with its 2021 Rate Case, CPEM filed a petition (Petition) with a proposal to resolve its 2021 Rate Case in exchange for Commission approval of its "Rate Stabilization Plan," comprising:[2]

- a base revenue increase of $39.7 million;
- an asymmetrical capital true-up for 2022 and 2023;
- an extension of the recovery period for extraordinary gas costs incurred in February 2021 in Docket No. G008/M-21-138;
- a new income tax rider, to be used only in the event of a change in federal or state income taxes in 2022 or 2023;
- continuation of the property tax tracker approved in the Company's last rate case (Docket No. G008/GR-19-524, or the 2019 Rate Case); and
- continued deferral of the COVID-19 regulatory asset approved in Docket No. E,G999/M-20-427.

In the cover letter to its Petition, the Company stated that its offer, if approved, will:

> deliver meaningful financial relief to the Company's customers, lessen the burden on regulatory agencies and other stakeholders, and reaffirm our environmental commitments. In exchange, the Company gains certainty, avoids incurring additional rate case expense and is able to devote resources to other critical efforts, including working with stakeholders to implement the Natural Gas Innovation Act.

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[1] *See* Docket No. G008/GR-21-435, Schedules A-1 and IR-1, respectively.
[2] Petition at 2.

CPEM stated if the Commission approves these proposals without modification, it will implement these terms in the relevant dockets, fully resolving the 2021 Rate Case, and thus avoiding contested case proceedings.[3] However, the Company also stated that if the Petition is not approved as proposed, it reserves the right to withdraw the Petition and proceed with the 2021 Rate Case in the ordinary course, with interim rates effective January 1, 2022.

Per the Company's proposal, if the Commission approves the proposed Rate Stabilization Plan, CenterPoint will not file another rate case until the fall of 2023, with a 2024 test year.

On November 3, 2021, the Commission issued a Notice of Shortened Comment Period with an initial comment period closing November 10, 2021, and with the following topics open for comment:

- Should the Commission approve CenterPoint's base revenue increase of $39.659 million, effective January 1, 2022 and continuing until January 1, 2024?
- Should the Commission approve CenterPoint's asymmetrical capital true-up for 2022 and 2023?
- Should the Commission approve CenterPoint's proposed extension of gas cost recoveries in Docket No. G-999/M-21-138 from 27 months to 63 months?
- Should the Commission approve CenterPoint's proposed income tax rider?
- Should the Commission approve CenterPoint's proposed extension of its property tax rider for 2022 and 2023?
- Should the Commission approve CenterPoint's proposed continuation of its COVID-19 regulatory asset deferral?
- What reporting requirements should be established if this proposal is approved?

II. DETAILS OF CENTERPOINT'S PROPOSAL

As noted above, CenterPoint's proposal includes several specific elements; the Department briefly addresses each below.

A. COMPONENTS OF RATE STABILIZATION PLAN PROPOSAL

1. Base Revenue Increase of $39.7 million

As part of its proposed Rate Stabilization Plan, CenterPoint requested Commission approval of an increase in base rates that will increase its total base revenue by $39.7 million. CenterPoint described this increase as pertaining to "plant investment only," and intended to allow the Company to recover costs associated with its substantial capital investments made over the past year, as well as those

[3] Petition at 3.

expected during 2022 (the test year in the 2021 Rate Case), primarily related to the Company's integrity management work.[4]

2. Asymmetrical Capital True-Up

Also as part of its Rate Stabilization Plan, the Company proposed a one-way capital true-up for 2022 and 2023 similar to the capital true-ups approved in Xcel Energy's stay-out proposals in Docket Nos. E002/M-19-688 and E002/M-20-743. Under CenterPoint's proposal, if the Company's actual capital investments placed into service in 2022 and 2023 are less than the amount projected in the 2021 Rate Case, customers will receive a bill credit equal to the revenue requirement savings that result from the difference. If, however, CenterPoint's actual capital investments *exceed* its projected capital investments, the resulting additional costs will not be charged to customers. There will be no increase in the true-up baseline of projected capital investments in 2023.

3. Extension of Recovery Period for Extraordinary Gas Costs Incurred in February 2021 in Docket No. G008/M-21-138

The Company proposed to extend the recovery period for extraordinary gas costs incurred in February 2021 from the currently approved 27 months to 63 months. In its Petition, the Company indicated that it expects doing so will reduce total annual bills for an average residential customer by $50.06 in 2022, and $107.54 in 2023.

CenterPoint stated that it is not seeking recovery of interest (a.k.a. as financing or carrying costs) on the unrecovered balance during this extended period, and that it understands that these costs are still subject to prudence review in Docket No. G008/M-21-138.

In addition, the Department notes that in Docket No. G008/M-21-138, the Commission approved a schedule of rates to recover these extraordinary gas costs that included lower rates during the heating season, higher rates during the non-heating season, and an increase in both sets of rates (heating and non-heating season rates) at the beginning of the second year of recovery. Table 1 of CenterPoint's Petition shows that the Company expects no increase in monthly bills under its Rate Stabilization Plan, indicating that it is proposing to eliminate the planned increase in the rate in 2023. However, the Company's Petition does not explicitly address this change, or explain whether CenterPoint is proposing to maintain the heating season/non-heating season rate difference.

[4] Petition at 2.

4. New Income Tax Rider, to be Used Only in the Event of a Change in Federal or State Income taxes in 2022 or 2023

In its Petition, the Company noted that it proposed an income tax rider in its 2021 Rate Case in response to serious discussions at both the state and federal level regarding potential changes to corporate income tax rates. The proposed income tax rider would provide an automatic symmetric adjustment to the Company's rates if the level of income taxes increases or decreases.[5] Because tax rates have not yet changed, the Company did not incorporate any changes in tax rates into its 2021 Rate Case or its Petition. As part of its Rate Stabilization Plan proposal, the Company requested approval of the income tax rider proposed in its 2021 Rate Case.

5. Continuation of the Property Tax Tracker Approved in the 2019 Rate Case

In the 2019 Rate Case, the Commission approved a property tax tracker mechanism to track the difference between property taxes paid by the Company, net of refunds, and property tax expense reflected in rates, with the intention that an overcollection of property tax expense from ratepayers between the conclusion of the 2019 rate case and the time of the Company's next rate case would be refunded in the Company's next rate case, or that an under collection would be charged to ratepayers. In the 2021 Rate Case, CenterPoint projected that the property tax tracker balance at year-end 2021 will be an under collection of $3.6 million, and proposed to recover that amount from ratepayers with a two-year amortization period, or $1.8 million per year.[6]

As part of its Rate Stabilization Plan, the Company proposed to continue this property tax tracker and continue to add to or subtract from the $3.6 million balance in the tracker until it files its next rate case. Accordingly, as described in greater detail below, the Company's calculation of its proposed $39.7 million base revenue increase, which relies on its 2021 Rate Case proposal as a starting point, includes an adjustment to remove $1.8 million in amortization expense associated with the property tax tracker balance.

6. Continued Deferral of the COVID-19 Regulatory Asset Approved in Docket No. E,G999/M-20-427

In Docket No. E,G999/M-20-427, the Commission approved a request by all of Minnesota's rate regulated utilities to track and defer certain expenses related to COVID-19.[7] In its 2021 Rate Case, the

[5] Direct Testimony of CenterPoint Witness Ralph Zarumba in the 2021 Rate Case, at 74.
[6] Direct Testimony of CenterPoint Witness Nicole A. Gilcrease in the 2021 Rate Case, at 58.
[7] Commission's November 4, 2020 Order in Docket No. E,G999/M-20-427.

Company stated that as of June 30, 2021, it had tracked and deferred $8.9 million of expense related to COVID-19, and proposed to amortize that amount over two years, or $4.5 million per year.[8]

Similar to its property tax tracker, the Company proposed in its Rate Stabilization Plan to remove all amortization expense associated with this tracker from its requested rate increase, and delay recovery of the tracker balance until its next rate case. The Department notes that utilities were authorized to track costs through July 31, 2021, one month past the date of the $8.9 million balance reported by CenterPoint. Thus, CenterPoint's current tracker balance may be slightly higher $8.9 million. However, utilities are no longer permitted to track and defer these costs, and absent further Commission action, CenterPoint's tracker balance will not increase any more. The utilities have requested Commission authorization to track and defer costs for a longer period of time, and that request is pending before the Commission. In discussions with the Department, CenterPoint stated that in this Docket, it is not seeking any Commission determinations on what costs may be tracked and deferred, or the time period in which eligible costs may be tracked and deferred. Rather, the Company is only requesting Commission approval to delay recovery of these deferred costs until its next rate case.

III. DEPARTMENT ANALYSIS

The Department recommends that the Commission reject CenterPoint's stay-out petition in this docket. As discussed below, the Department is concerned that CenterPoint's stay-out petition marks a significant departure from the guardrails set by the Commission in previous stay-out proceedings. In addition, the Department doubts that the public interest can be adequately protected without a thorough review of the factors driving CenterPoint's proposed base revenue increase.

Importantly, however, the Department does not believe that a full contested case proceeding is necessary to fully resolve CenterPoint's rate case. CenterPoint's stay-out petition demonstrates the Company's desire to resolve its rate case without the cost and time involved in a fully litigated proceeding. The Department agrees there is an opportunity to save on regulatory time and expenses of a fully executed contested case. The Department is similarly committed to working with CenterPoint to resolve its rate case. However, the Department asserts the best time for such a resolution would be following direct testimony in the contested case and not bypassing all procedure set out by the legislature in Minnesota Rules and Statutes and allowing the Department and other parties the ability to review significant proposals to increase rates. Allowing the Department and other intervenors to complete direct testimony before resolving the case protects the public interest by ensuring that the cost drivers of CenterPoint's rate increase proposal are fully understood. It also allows each rate case issue to be resolved on its own merits and supported by substantial evidence in future settlement proceedings and by the Commission.

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[8] Direct Testimony of CenterPoint Witness Nicole A. Gilcrease in the 2021 Rate Case, at 50.

If CenterPoint's rate case is permitted to proceed, the Department is committed to initiating mediation with the Company and other intervenors pursuant to Minn. R. 1400.5950 following the submission of intervenor direct testimony. The Department is hopeful that mediation can be as successful in this matter as it was in CenterPoint's last rate case in Docket No. G-008/GR-19-524. In that proceeding, the parties settled the entire rate case on an issue-by-issue basis. The settlement also created significant benefits for customers – by reducing the company's increase by $23.5 million and providing certainty that the associated costs were just and reasonable.

A. CENTERPOINT'S PROPOSAL IS DIFFERENT THAN RECENTLY APPROVED STAY-OUT PETITIONS

The Commission has approved two recent "stay-out" proposals. In 2019, the Commission approved Xcel Energy's proposal, concluding that it merely constituted a continuation of base rates established in the utility's most recent rate case under the multiyear rate plan statute.[9] In 2020, the Commission again concluded that Xcel's proposal did not result in adjustments to base rates. Instead, "The Stay Out Proposal maintain[ed] the Company's approved base rates."[10] In a similar proceeding, the Commission approved a settlement of Minnesota Power's 2019 rate case that moved certain costs out of base rates and into a statutorily authorized rider.[11] Notably, all of pertinent cost information needed to implement this settlement was provided and scrutinized in Minnesota Power's prior rate case (Docket No. E015/GR-16-664), and all of the costs that remained in base rates after the settlement had been reviewed by the Department and the Commission. In none of these cases, did the Commission approve new additions to rate base or changes to operating expenses based on information from outside the record of the utility's most recently completed rate case. Instead, these orders appear to recognize any such changes would warrant additional scrutiny and likely require a rate case.

In this proceeding, CenterPoint proposes "a base revenue increase of $39.659 million, effective January 1, 2022, and continuing until January 1, 2024, reflecting the Company's ongoing capital investments."[12] CenterPoint proposes to make this change in lieu of a rate case. Since this proposal adds new investments to base rates and CenterPoint proposes to forgo a contested case proceeding, it's unclear how this proposal comports with the Commission's recent stay-out orders or what legal mechanism would otherwise permit this practice. It's also worth noting that CenterPoint states "the majority of these investments involve the Company's Transmission Integrity Management Program . . . and

[9] *In re Pet. of N. States Power Co. for Approval of True-Up Mechanisms*, Docket No. E-002/M-19-688, ORDER APPROVING TRUE-UPS & REQUIRING XCEL TO WITHDRAW at 8 (Mar. 13, 2020).
[10] *In re Pet. of N. States Power Co. for Approval of 2021 True-Up Mechanisms*, Docket No. E-002/M-20-743, ORDER APPROVING TRUE-UPS WITH MODIFICATIONS at 12 (Apr. 2, 2021) (2020 Stay-Out Order).
[11] *In re Appl. of Minn. Power for Auth. to Increase Elec. Serv. in Minn.*, Docket No. E-015/GR-19-442, ORDER APPROVING PETITION & RESOLVING RATE CASE WITH CONDITIONS at 10 (Aug. 7, 2020).
[12] CenterPoint Proposal at 2.

Distribution Integrity Management Program[.]"[13] As a result, these investments are likely already are eligible for cost recovery pursuant to the Gas Utility Infrastructure Cost rider statute.[14]

B. THE PUBLIC INTEREST REQUIRES THOROUGH REVIEW OF CENTERPOINT'S COST DRIVERS.

In past stay-out proceedings, the Commission has required that the proposal be "reasonable, equitable, and consistent with the public interest."[15] As discussed above, past stay-outs have typically involved true-ups of known, actual amounts to previously vetted cost estimates. CenterPoint's proposal, however, would require the Commission to allow new, unvetted investments totaling nearly $400 million into utility rate base. The Department is concerned that this would be a departure from past Commission practice for new rate base items. In the past, the Commission has explained such expenses are "context-specific and fact-specific and must be carefully examined on [their] own merits."[16] In this case, it won't be possible to make a decision based on the merits of each investment until intervenors have a chance to go line-by-line through CenterPoint's rate case application.

As described above, CenterPoint's stated intention for the proposed base revenue increase of $39.659 million is to recover costs associated with its "substantial capital investments" since the conclusion of the 2019 Rate Case, as well as the capital investments forecasted for the test year in the 2021 Rate Case. Table 1 below compares CenterPoint's rate base as approved in the 2019 Rate Case to the rate base proposed in the Rate Stabilization Plan.

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[13] *Id.* at 7.
[14] Minn. Stat. § 216B.1635 (2020).
[15] 2020 Stay-Out Order at 14.
[16] *In re Appl. of N. States Power Co. for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E-002/GR-05-1428, FINDINGS OF FACT, CONCLUSIONS OF LAW, & ORDER at 12 (Sept. 1, 2006).

Table 1
Increase in Rate Base from 2019 Rate Case Settlement
($000s)[17]

	2019 Rate Case Settlement	Rate Stabilization Plan Offer	Increase/ (Decrease)
Utility Plant in Service	2,737,831	3,264,937	527,106
Less Accumulated Depreciation and Amortization	1,124,859	1,228,383	103,524
Net Utility Plant in Service	1,612,972	2,036,555	423,583
Construction Work in Progress	-	-	-
Net Acquisition Adjustment	-	-	-
Gas Storage Inventory - Non Current	177	177	-
Customer Advances for Construction	(120)	(120)	-
Accumulated Deferred Income Taxes	(352,286)	(346,171)	6,115
Working Capital	46,978	20,978	(26,000)
Average Net Rate Base	1,307,721	1,711,419	403,698

As shown, the Company's proposed net utility plant in service, by far the largest component of its rate base, is $423.6 million higher than the comparable amount approved in the 2019 Rate Case. The Company's proposed average net rate base is $403.7 million, or more than 30 percent, higher than the amount approved in the 2019 Rate Case.

These significant proposed rate base additions result in significant increases in CenterPoint's required operating income, which in turn leads to significant rate increases.

[17] September 16, 2020 Settlement in Docket No. G008/GR-19-524, Attachment 1; and Petition, Schedule 2.

Table 2
Comparison or Proposed Rate Increase to Prior Rate Cases
($000s)[18]

	Revenue Deficiency				
Docket	Initial Proposed	Final/ Offer		Final/Offer as Percentage of Initial	Settled/ Litigated
Prior Rate Cases					
GR-19-524	62,032	38,520		62.1%	Settled
GR-17-285	56,503	21,149	1/	37.4%	Settled
GR-15-424	54,105	27,541		50.9%	Litigated
GR-13-316	44,322	32,943		74.3%	Litigated
GR-08-107	59,778	40,800		68.3%	Litigated
Average	55,348	32,191		58.6%	
Rate Stabilization Offer					
M-21-755	67,066	39,659		59.1%	
Rate Stabilization Offer Excluding Impact of Continued Deferrals					
M-21-755	67,066	45,947	2/	68.5%	

1/ The Tax Cut and Jobs act was passed and implemented during the course of Docket G008/GR-17-285. The $21.1 million Final Revenue Deficiency removes the impact of the tax cut, which was outside of CenterPoint's control.

2/ Offer Rev. Deficiency	39,659	
Add back:		
COVID Deferral Amort.	4,468	Petition, Schedule 3
Property Tax Amort.	1,820	Petition, Schedule 3
Adjusted Rev. Deficiency	45,947	

[18] Docket No. G008/GR-19-524, 9/16/2020 Settlement, Attachment 1, Page 1, Line 7; Docket No. G008/GR-17-285, 3/6/2018 Settlement, "Revenue Requirements Summary," line 7; Docket No. G008/GR-15-424, 9/8/2016 Compliance Filing, Schedule A, Line 7; Docket No. G008/GR-13-316, 9/8/2014 Compliance Filing, Schedule A, Page 1, Line 7; Docket No. G008/GR-08-1075, 4/19/2010 Compliance Filing, Revenue Requirements page 1 of 11, Line 7.

As shown in Table 2, while the Company's proposed base revenue increase in this Docket is intended to be limited to cost increases associated with the Company's capital investments, the proposed revenue increase is comparable to the final outcomes of rate cases which were not similarly limited to a subset of costs. In addition, while the details of CenterPoint's derivation of its proposed $39.695 million increase are unclear (discussed in greater detail below), $6.3 million of the difference between the 2021 Rate Case revenue deficiency ($67.1 million) and the Rate Stabilization Plan revenue deficiency ($39.695 million) is the result of cost recovery deferrals (related to COVID-19 expenses and the property tax tracker), not real, permanent savings for ratepayers. When both of those amortization expenses are added back in, the Company's Rate Stabilization Plan proposal would result in a higher percentage of the initial proposed revenue deficiency being approved than in all but one of CenterPoint's last five rate cases.

In other words, the Company's offer in this Docket is to increase base rates by an amount comparable to, or perhaps slightly greater than, the increases approved in CenterPoint's prior rate cases (which were not limited to capital only), and to do so without any of the review or scrutiny that occurs in a normal rate case.

As a related general matter, the Department notes that if, as a utility is preparing a rate case, it knows that at the same time it files its rate case, it will also make an offer to resolve the case with a proposal like CenterPoint's Rate Stabilization Plan, it would have an incentive to inflate its requested increase in its rate case, knowing that the cost increases will not be heavily scrutinized. The Department has no specific concern that CenterPoint did anything like this in its 2021 Rate Case, but rather notes this as a concern should this type of stay-out/rate case resolution process become a more frequent occurrence.

C. ADDITIONAL SPECIFIC CONCERNS REGARDING CENTERPOINT'S PROPOSAL

1. CenterPoint's Proposed Base Revenue Increase is Not Adequately Supported

The Department also has significant concerns related to the black-box nature of CenterPoint's base rate revenue calculations.

As noted above, CenterPoint's stated intention is to enact a rate increase for plant investment only. To achieve this, CenterPoint used its financial statements as filed in its 2021 Rate Case as a starting point, and then made a small number of adjustments to its rate base and operating income to arrive at its proposed base revenue increase:

- first, the Company reduced the Working Capital component of its rate base by $40.7 million, which the Company indicated was to set the working capital component of rate base equal to the working capital component approved in the 2019 Rate Case;[19]
- second, CenterPoint removed $4.5 million of amortization expense associated with its COVID-19 tracker, as described above;[20]
- third, the Company removed $1.8 million from property tax expense representing the amortization of its property tax tracker balance included in the 2021 Rate Case, also as described above;[21]
- in addition, CenterPoint made an adjustment to reduce Administrative & General expense by $0.6 million, although the Company does not appear to discuss this adjustment in its Petition;[22] tracker;
- the Company also adjusted its federal and state income tax expense to reflect the other changes to expenses;
- finally, CenterPoint reduced the cost of capital applied to its rate base from 7.08 percent (reflecting a return on equity of 10.2 percent) as proposed in the 2021 Rate Case, to 6.86 percent, the cost of capital approved in the 2019 Rate Case.

After making all of these adjustments, however, CenterPoint also makes an additional, unspecified adjustment to its operating income of $8.3 million, titled "Foregone income in the interest of settlement (after tax)."[23] CenterPoint provided no support for or explanation of this adjustment in its Petition, and thus the Department does not understand how it was derived, or how it should be interpreted. As a result, the Department cannot confirm that CenterPoint's proposed rate increase does in fact cover only its capital investments. As described above, however, even if the Department were able to confirm that, it would still be unreasonable to approve such a significant rate increase with no review or scrutiny of the prudency of the investments driving it.

2. Income Tax Rider

Changes to state and federal income tax rates can have significant impacts on utilities' financial performance and are outside of utilities' control. For that reason, the Department understands the motivation underlying CenterPoint's proposed Income Tax Rider, and believes there may be a path forward on this particular issue. However, at this time, the Department has not had adequate time to

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[19] The Department notes that this adjustment appears to be an error, as CenterPoint has set the working capital component of rate base equal to one subcomponent of working capital, Materials and Supplies, from the 2019 Rate Case, rather than Total Working Capital.
[20] Petition, Schedule 3, line 30.
[21] Petition, Schedule 3, line 34.
[22] Petition, Schedule 3, line 25.
[23] Petition, Schedule 3, line 39.

review the details and potential impacts of the Company's proposed Income Tax Rider in its 2021 Rate Case, and therefore cannot conclude that it is reasonable.

D. RATE RELIEF FOR CUSTOMERS

CenterPoint noted that one of its main motivations in proposing this Rate Stabilization Plan is to offer meaningful rate relief to its ratepayers. The Department notes that even if the Commission denies CenterPoint's proposal, it could still offer meaningful rate relief to the Company's ratepayers.

The majority of the rate relief offered in the Rate Stabilization Plan results from the Company's extension of gas cost recovery associated with the February Event in Docket No. G008/M-21-138 from 27 months to 63 months.

Table 3
Rate Stabilization Plan
Impacts on Annual Residential Bills
($s)

Base Rates	2021 Rate Case (Assuming Full $67.1 Million Revenue Deficiency Approved)	Rate Stabilization Plan ($39.7 Million Increase)	Difference	Difference - % of Total Bill Impact
2022	48.60	33.96	14.64	22.6%
2023 (no change)	48.60	33.96	14.64	12.0%
Extraordinary Gas Cost Recovery	As Currently Approved	Extended as Proposed in Rate Stabilization Plan	Difference	Difference - % of Total Bill Impact
2022	105.36	55.30	50.06	77.4%
2023	162.84	55.30	107.54	88.0%
Total Bill Impacts				
2022	153.96	89.26	64.70	
2023	211.44	89.26	122.18	

Source: Petition, Schedule 4

As shown in Table 3, CenterPoint estimates that, absent the Rate Stabilization Plan, average residential bills will increase by $153.96 in 2022. If the Commission were to approve the Rate Stabilization Plan, the Company estimates that average residential bills in 2022 will increase by only $89.26, or $64.70 less. Of the $64.70 decrease, nearly 80 percent ($50.06) results from the extension of gas cost recovery associated with the February Event; only $14.64 of the estimated savings results from the Company's base revenue proposal, and those estimated savings are relative to the unlikely scenario in which 100 percent of the Company's 2021 Rate Case Revenue Deficiency is approved for rate recovery.

CenterPoint, Xcel Energy, Minnesota Energy Resources Corporation, Great Plains Natural Gas Company, the Department, the Office of the Attorney General – Residential Utilities Division, the Energy CENTS Coalition, the Citizens Utility Board of Minnesota, and the Commission all previously considered the appropriate length of time over which to recover the extraordinary gas costs incurred during the February event. There was general consensus that 27 months was an appropriate recovery period, and the Commission approved it.[24]

The Department understands that gas price forecasts for this winter have increased significantly since the Commission approved the 27-month recovery period. In light of the expected impacts of this increase, the Commission may wish to revisit the recovery period for of the impacted gas utilities as a means of providing rate relief to ratepayers. The Commission could also reconsider its decision to not allow carrying or financing charges on the extraordinary gas costs. As noted in its April 30, 2021 Letter in Docket No. G008/M-21-138, CenterPoint secured long-term financing at a rate of 0.7 percent for its unrecovered extraordinary gas costs, and in Schedule 5 of its Petition, the Company indicated that it expects to incur only $6.0 million in interest costs if the recovery period is extended to 63 months.

However, extending the recovery period from 27 months to 63 months would also raise serious concerns about intergenerational inequity, and raise the likelihood that future ratepayers who did not cause any costs to be incurred during the February event will be required to pay for those costs.

Given the number of stakeholders that may wish to weigh in, as well as the complexities described above, the Department recommends that if the Commission wishes to revisit the recovery period for extraordinary gas costs, that it do so in the extraordinary gas cost dockets, and that it issue a notice for comments so that all interested parties have an opportunity to weigh in.

IV. CONCLUSION

Based on its review of CenterPoint's Rate Stabilization Plan, the Department has significant concerns about CenterPoint's proposed Rate Stabilization Plan. Therefore, the Department recommends that the Commission deny the Company's proposal and proceed with the 2021 Rate Case. First, the Company's proposal differs in significant ways from recent comparable approved proposal from Xcel

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[24] *In re: Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G999/CI-21-135 et al., ORDER GRANTING VARIANCES AND AUTHORIZING MODIFIED COST RECOVERY SUBJECT TO PRUDENCE REVIEW, AND NOTICE OF AND ORDER FOR HEARING at 20 (Aug. 30, 2021).

Energy and Minnesota Power in that it includes rate increases to recover costs that have not been reviewed in a rate case proceeding. Further, not only is the Company requesting recovery of costs that have not been reviewed for prudence, the costs and the associated proposed rate increases are significant; approximately equal to, or perhaps slightly greater than, the average rate increases approved in the Company's five prior rate cases. Finally, important aspects of the Company's proposal are not adequately supported, such that the Department simply does not have enough information to be able to conclude that the proposal is reasonable.

Given the lack of opportunity for adequate review CenterPoint's capital investments and the size and lack of transparency of the proposed rate increase, the Department is concerned that ratepayers will not be adequately protected from unreasonable rates resulting from imprudent costs if the Commission were to adopt the Company's proposal. The Department believes that a rate case proceeding, which can facilitate a thorough review of CenterPoint's costs, is needed to protect the public interest.

The Department, however, does not believe it is necessary to fully litigate the rate case. After submitting its direct testimony, the Department is committed to engaging CenterPoint and other interested parties in mediation to resolve the case without full litigation. In the Department's view, this process would better protect the public interest while still avoiding unnecessary delay and rate case expense.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G008/M-21-755

Dated this 10th day of November 2021

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-755_M-21-755
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